



USAID
FROM THE AMERICAN PEOPLE

JORDAN

INSTITUTIONAL SUPPORT AND STRENGTHENING PROGRAM (ISSP)

YEAR I ANNUAL REPORT

NOVEMBER 24, 2010 (contract award) – DECEMBER 31,
2011

JANUARY 2012

This report was produced for review by the United States Agency for International Development (USAID). It was prepared by International Resources Group (IRG) under Contract EPP-I-00-04-00024-00 Task Order No. 8



USAID
FROM THE AMERICAN PEOPLE

JORDAN

INSTITUTIONAL SUPPORT AND STRENGTHENING PROGRAM (ISSP)

YEAR I ANNUAL REPORT

(NOVEMBER 24, 2010 – DECEMBER 31, 2011)

Contract No.: EPP-I-00-04-00024-00, Task Order No. 8

January 2012

DISCLAIMER

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of International Resources Group (IRG) and do not necessarily reflect the views of USAID or the United States Government.

TABLE OF CONTENTS

1.	INTRODUCTION.....	1
1.1.	Authorization	1
1.2.	Purpose of this Report.....	1
1.3.	Program Objectives	1
1.4.	Program Components.....	2
1.5.	ISSP Team.....	3
2.	ACTIVITIES CARRIED OUT DURING REPORT PERIOD.....	4
2.1.	Start Up and Mobilization.....	4
2.2.	COMPONENT 1: Institutional Development.....	4
2.2.1.	Institutional Assessment (IA)	5
2.2.2.	Consultations on the IA and WV with GOJ	8
2.2.3.	Water Valuation (WV) Study.....	9
2.2.4.	Utah State University (USU) Groundwater Valuation Study	12
2.2.5.	Institutional Reform and Restructuring	13
2.3.	COMPONENT 2: Institutional Strengthening	14
2.3.1.	Senior Advisor to Miyahuna	14
2.3.2.	Tariff Study	15
2.3.3.	Update the National Water Strategy	15
2.4.	Cross-Cutting Thematic Support.....	16
2.4.1.	Public-Private Partnerships (PPPs).....	16
2.4.2.	Global Development Alliances (GDAs) Potential	16
2.5.	Gender	16
2.6.	CHALLENGES	17
2.7.	Potential Issues or Proposed Changes.....	17
2.7.1.	Technical Implementation Issues.....	17
2.7.2.	Potential Changes.....	17
3.	ACTIVITIES PLANNED FOR NEXT QUARTER.....	18
3.1.	Component 1: Institutional Development	18
3.1.1.	Institutional Assessment (IA)	18
3.1.2.	Water Valuation (WV) Study.....	18
3.1.3.	Institutional Reform and Restructuring (IRR)	18
3.2.	Component 2: Institutional Strengthening	19
3.2.1.	Advisor to CEO of Miyahuna	19
3.2.2.	Tariff Study.....	19
3.2.3.	Update to National Water Strategy	20
3.3.	Cross-Cutting Thematic Support.....	20
4.	PROGRAM MANAGEMENT	21
4.1.	Program Management.....	21
4.2.	Communications and Outreach	22
4.3.	Donor Coordination	22
4.4.	Deliverables.....	22
4.5.	Monitoring & Evaluation.....	23
4.6.	Security	23
5.	STAFFING	25
5.1.	Long-Term Staff.....	25
5.2.	Short-Term Staff	25

ACRONYMS

AFD	French Development Agency/Agence Française de Développement
AWC	Aqaba Water Company
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
COP	Chief of Party
ELI	Environmental Law Institute
EU	European Union
GDA	Global Development Alliance
GDP	Gross Domestic Product
GIS	Geographic Information System
GIZ	Gesellschaft für Technische Zusammenarbeit/German Technical Cooperation, formerly GTZ
GoJ	Government of Jordan
GTZ	Gesellschaft für Technische Zusammenarbeit/German Technical Cooperation, now GIZ
IA	Institutional Assessment
IQC	Indefinite Quantity Contract (contracting mechanism for USAID)
IRG	International Resources Group (US consulting firm, prime LRBMS contractor)
ISSP	Institutional Support and Strengthening Program
IT	Information Technology
ITMP	IT Master Plan
JVA	Jordan Valley Authority
M&E	Monitoring & Evaluation
MWI	Ministry of Water and Irrigation
NWS	National Water Strategy
NGO	Non-Governmental Organization
O&M	Operation & Maintenance
PMP	Performance Monitoring Plan
PPP	Public-Private Partnerships
SO	Strategic Objective
STTA	Short-Term Technical Assistance
TA	Technical Assistance
USAID	United States Agency for International Development
WAJ	Water Authority of Jordan

WDM	Water Demand Management
WG	Working Group
WRE	Water Resources and Environment Office (USAID/Jordan)
WRM	Water Resources Management
WUA	Water User Association
WV	Water Valuation

I. INTRODUCTION

I.1. AUTHORIZATION

International Resources Group (IRG) was contracted by the United States Agency for International Development/Jordan (USAID/Jordan), Contract EPP-I-00-04-00024-00, Task Order No. 8, under the Integrated Water and Coastal Resources Management Indefinite Quantity Contract (IQC) II to implement the Institutional Support and Strengthening Program (ISSP). The period of performance of the contract is November 24, 2010 to November 23, 2013 with total project funding of \$11,270,252. The current obligated amount is \$6,000,000.

I.2. PURPOSE OF THIS REPORT

The purpose of this report is to present the annual activities and achievements of ISSP over the initial program period from contract award on November 24, 2010 to December 31, 2011. It further reports on activities envisioned for the next period from January to March 2012. This annual report has the following content: activities carried out for the year; planned activities for the following quarter; management, staffing and security; and, training activities. The financial reporting for the year is submitted in a separate report.

I.3. PROGRAM OBJECTIVES

ISSP is designed to assist the Government of Jordan (GoJ) in alleviating an impending water crisis – a crisis arising from a growing mismatch between the nation’s need for water and its sustainable supply of that vital and exceedingly scarce resource. The purpose of ISSP is to identify and address significant institutional weaknesses and needs of the water sector in Jordan, thereby increasing the resilience and ability of key institutions to adapt to changing resource availability and to enhance sustainable, consistent and competent management of Jordan’s scarce water resources. This program is focused on identifying realistic recommendations for the strengthening and support of Jordan’s water sector institutions and other related bodies, including the possibility of redefining the base functions of current institutions or proposing new institutions to achieve the desired results. ISSP will develop a proposed water sector reform and restructuring package with associated strategies and activities that strengthen and support the sector’s management and technical operations through effective institutional development.

ISSP is a key part of USAID’s long-standing support to the water sector in Jordan and was developed under the USAID Water Resources and Environment (WRE) Office 2008 – 2012 Strategy in coordination with the Ministry of Water and Irrigation (MWI) and the Water Authority of Jordan

(WAJ). It is being implemented in accordance with the National Water Strategy (NWS) and in close collaboration with the wide range of complementary USAID and other donor activities.

I.4. PROGRAM COMPONENTS

ISSP is implemented through two components complemented by cross-cutting thematic areas.

Component 1: Institutional Development consists of a comprehensive Institutional Assessment and Water Valuation Study followed by an Institutional Reform and Restructuring activity to execute a series of initial steps in transitioning the water management institutions based on the priorities and recommendations arising from the assessment. Component 2: Institutional Strengthening follows from Component 1 and consists of the specific training, capacity building and management support activities that are agreed with USAID and the Government of Jordan (GOJ) to best facilitate and implement the recommendations for restructuring developed and approved under Component 1. Institutional Strengthening will include a small grants program to further support and strengthen the activities and overall objectives by working with non-governmental organizations that contribute directly to improved management of Jordan's scarce water resources.

The entire program places a heavy emphasis on participatory approaches, stakeholder cooperation and donor coordination. The cross-cutting areas of communication and outreach, gender equity and monitoring and evaluation (M&E) will be fully integrated into each component. Public-Private Partnerships (PPPs) and Global Development Alliance (GDA) projects will be developed or supported as appropriate.

Component 1: Institutional Development is organized into the following specific activities:

- Institutional Assessment (IA)
- Water Valuation (WV) Study
- Consultations on IA and WV
- Institutional Development
- Implementation of IA Recommendations
- Legal Advisory

Component 2: Institutional Strengthening is organized into the following activities:

- Training and Capacity Building
- Business Management Support
- Change Management
- Strategic Water Planning

I.5. ISSP TEAM

The ISSP Team is led by International Resources Group (IRG) and includes core subcontractors ECO Consult, ECODIT, Inc., RTI International, and AECOM.

2. ACTIVITIES CARRIED OUT DURING REPORT PERIOD

This section covers activities carried out by the ISSP Team led by IRG in the first year from project award, November 24, 2010 to December 2011. During this period, the project team was mobilized and work began to engage a wide range of counterpart and stakeholder organizations. The Institutional Assessment began which is the key foundational activity for the program and the bulk of Component 1. This included work which began on the Water Valuation Study along with the Utah State University Groundwater Valuation study. Once the IA Report was completed, the ISSP program entered the implementation phase, which included the formation of Working Groups in order to begin carrying out the recommendations of the IA Report. A review of all of the technical work carried out this year is presented below.

2.1. START UP AND MOBILIZATION

The ISSP technical team was mobilized to Jordan in January 2011. Early technical implementation in January and February focused on an extensive round of briefings and consultations to introduce the program and brief key stakeholders on the impending Institutional Assessment (IA) and Water Valuation (WV) Study. These meetings served to gain a sense of their priorities, thoughts and impressions as ISSP begins the challenging task of institutional reform and strengthening in partnership with these groups.

In addition, presentations were made by the ISSP team and USAID to formally introduce ISSP. One presentation was to the MWI which involved the following individuals:

- Minister, Secretary General of MWI,
- Secretary General and Deputy Directors of Water Authority of Jordan (WAI), and
- Secretary General of JVA

Similar presentations were also made to introduce ISSP to the Donor/Lender Sub-Group of Water and to the USAID Implementing Partner Meeting.

2.2. COMPONENT I: INSTITUTIONAL DEVELOPMENT

Institutional Development comprises four activities: Institutional Assessment (IA); Water Valuation (WV) Study; Consultations on the IA and WV with GOJ; and, Institutional Reform and Restructuring.

2.2.1. INSTITUTIONAL ASSESSMENT (IA)

The Institutional Assessment (IA) of water governance is the key initial activity of ISSP's first program year. From February through June, the IA comprehensively assessed the sector and the key institutions responsible for water management and administration. The purpose of the IA is to identify the key institutional constraints within the water sector and propose viable solutions to assist and support GoJ in making the hard choices involved in a true and effective institutional reform and restructuring of the sector. This Assessment was developed with a series of three consultative workshops culminating in the IA Results Workshop in June which presented the analysis, findings and recommendations of the IA. This workshop generated significant feedback which was incorporated into a Final Draft report which was distributed for review to GOJ counterparts over the summer.

The team engaged in informal clarifications, consultations and discussions throughout the summer and official comments were received in early September. Finally, a Working Session was organized for the Minister of Water and Irrigation, all three Secretary Generals, the PMU Director, key GOJ senior water managers and USAID WRE personnel which presented ISSP's responses and clarifications to the MWI comments. This Working Session resulted in agreement with the Minister on a complete set of six major recommendations for reform and restructuring to be implemented by ISSP in close cooperation with the Ministry. These recommendations are detailed below.

2.2.1.1. IA IMPLEMENTATION APPROACH

The local and international team members of the IA were hired and/or mobilized from January to March. Work began in earnest in February during which the team was fully engaged in the following activities:

- a comprehensive review of the wealth of existing information, studies and assessments dealing with the water sector in Jordan;
- development and planning for the Institutional Assessment Workshop (2 March 2011); and,
- meetings, consultations and engagement with USAID and GOJ stakeholders which comprised the following: USAID Water Resources and Environment Office (WRE), MWI, Water Authority of Jordan (WAJ), Jordan Valley Authority (JVA), and Miyahuna.

The IA approach was developed and agreed between the ISSP team, USAID and the Ministry of Water and Irrigation (MWI). The team looked at the basic functions that need to be performed competently in any well-performing water sector. Specifically, it examined essential functions in terms of (a) how Jordan is currently organized to perform them, (b) what global experience suggests about the effectiveness of different organizational set-ups and incentive systems, and (c) currently prevailing conditions in Jordan.

The team's approach included (1) a careful review of pertinent existing documents, and (2) interviews with key stakeholders having a variety of perspectives, (3) comprehensive stakeholder consultations throughout the process; all considered against (4) a backdrop of the team's extensive knowledge of international best practices and experience.

The IA Initiation Workshop was held on March 2, 2011 and brought together a broad group of stakeholders to (1) learn about and discuss the plan for the IA, (2) generate lists of possible solutions for institutional problems currently affecting the sector, and (3) to learn about the ongoing work of the various development partners active in the water sector. The workshop was opened with remarks first from H.E. Minister of Water and Irrigation and then by Acting Mission Director, USAID/Jordan.

The outputs of this workshop were (1) a strengthened and validated assessment plan, (2) a set of options for addressing current institutional weaknesses drawn from a wide range of perspectives, and (3) a better understanding of relevant donor/lender programs and activities in the water sector. This workshop was an important early step in the IA and provided an excellent foundation on which to continue with the overall analysis.

The IA Consultative Workshop was held in Amman on April 20, 2011. The purpose of this workshop was to engage water sector specialists and stakeholders both inside and outside the government on what the key functions and responsibilities should be for the main types of institutions needed to manage and deliver water in Jordan. Generic institutions, modeled on the existing institutional needs for Jordan were presented to the participants with a corresponding list of generic functions that must be carried out from water resources planning, extraction, and development through to utility and irrigation service delivery. Small group discussions were then tasked with allocating these functions and responsibilities to each of the generic institutions to essentially map out an idealized water sector. The results of the workshop significantly strengthened the analysis of the IA with the direct feedback and participation of the people most directly involved in and responsible for water management in Jordan. The results were integrated into the initial IA team recommendations for reform and restructuring of the current institutions.

These initial recommendations were then presented in a series of briefings and meetings to key stakeholders. COP and IA team members first met with the USAID/Jordan Water Resources and Environment (WRE) office on May 9th and then with the entire team on May 24th to present and go through the results of the IA in detail. On June 1st the COP, accompanied by the IA Team Leaders,

presented an overview of the recommendations to the WRE Partner's Meeting to solicit the feedback and reactions from the other USAID water project personnel. At the same time, the IA team was meeting informally with various counterparts in the Ministry of Water and Irrigation (MWI), Water Authority of Jordan (WAJ), Jordan Valley Authority (JVA), Ministry of Public Sector Development, donor programs, particularly GiZ. From these meetings and briefings, the IA team finalized the recommendations and prepared for the IA Results Workshop to formally present the findings and restructuring package.

The Institutional Assessment Results Workshop was held on June 19, 2011 to present and discuss these recommendations. Ninety-three people attended, including the participation throughout the day of H.E. Minister of Water and Irrigation, the MWI SG, the Acting SG for WAJ, Director of the Program Management Unit (PMU), nearly 40 staff from the GOJ water sector institutions, relevant USAID projects, other donor programs, international agencies and other GOJ Ministry representatives. Extended small group discussions were then held, one for each recommendation, to discuss any immediate actions to achieve the reforms, main obstacles to reform and key capacity building or institutional support needed to achieve reform. The results were met with cautious approval, with the recognition that change is never easy and there will be significant challenges. There were also significant concerns raised by MWI over the authorities and membership of the National Water Council.

2.2.1.2. IA REPORT AND RECOMMENDATIONS

In the second quarter, the Draft IA Report was submitted on June 23rd and it was sent informally to both USAID and MWI to begin review and discussion of the key concepts and principles presented.

Throughout the third quarter, discussion and consultations took place with key IA team members at MWI in July and August in order to finalize the report. Written comments were received in early September and a Working Session took place on September 22nd to address the comments in September. ISSP held the Working Session at MWI with the Minister, all three Secretary Generals, the CEO of Miyahuna, the Ministry review committee members and the USAID WRE team members. Each recommendation was presented along with an overview of the main comments received and associated ISSP clarifications. Discussions reconciled any remaining issues. Next steps for implementation were then outlined and agreed. Some of the recommendations were modified slightly and some additional study was agreed to.

Finally, in the fourth quarter, the results of the IA Working Session were incorporated into the Final Institutional Assessment Report which was submitted, along with the volume of annexes, to USAID in October 2011 for review and approval. These were shared with MWI for their subsequent review

and approval in December. ISSP is still waiting on confirmation from USAID if the IA final report can be published. A summary of the recommendations is presented below.

- Consolidate authority for water resources planning and management functions within the Ministry. This recommendation was accepted primarily as proposed.
- Establish a National Water Council.
- Build and empower Jordan Valley Water Users Associations (WUAs) to eventually become independent irrigation utilities.

The next three recommendations are completely interconnected and were thus presented as a unit. This was further reflected in the nature of the comments and feedback, clarifications for which were usually relevant to all three. Since each recommendation is necessary to the success of the other they remain packaged together.

- Reorganize WAJ to focus on core function of water development and bulk water supply.
- Fully corporatize water utilities.
- Establish an independent Water Utility Regulatory Commission.

2.2.2. CONSULTATIONS ON THE IA AND WV WITH GOJ

This activity was a fundamental part of the IA and WV Study process. The ongoing and robust consultations throughout the IA were central to the overall acceptance and approval of the assessment and study and lay the foundation for implementation of the corresponding recommendations.

In the first quarters, initial consultations were implemented through IA and WV workshops which were held in March. ISSP held direct consultations with key GOJ counterparts throughout the second quarter related to the ongoing analysis and preliminary findings and conclusions of the IA. Further formal consultations took place at the IA workshops in April and June. As discussed above, in the third quarter informal consultations with the IA review committee occurred throughout the summer and the Working Session in September was held to review and discuss together the GOJ feedback on the IA Draft Report.

In addition, in the third quarter a special presentation was organized by USAID for ISSP to present an overview of the IA results to the Ministry of Public Sector Development. This was organized to address growing GOJ concerns over the abuses that have occurred in establishing semi-governmental organizations and efforts to absorb these entities back into direct government control. This issue was directly related to IA review and analysis dealing with the utilities as it could have meant serious consideration of pulling the water utilities back into direct administration of WAJ, something the IA team felt strongly was going in the wrong direction. In the fourth quarter,

consultations focused on implementation. At ISSP's request, the Minister established four Working Groups (WGs) to serve as counterpart advisory and consultative bodies on the technical implementation of the IA reform and restructuring recommendations. The

Consultations are ongoing during the IA implementation stages since the GOJ is the key stakeholder in the outcomes. ISSP will continue to work with governmental organizations to insure coordination with counterparts.

2.2.3. WATER VALUATION (WV) STUDY

The Water Valuation (WV) Study is the second main component of Year One's activities. A key aspect of improving the overall performance of the water sector is the efficiency of water use and the potential benefits of reallocating water. All options have benefits and costs and the challenge for the GOJ is to develop a strategy and associated policies and allocation decisions that best reflect economic and social concerns. Understanding the value of water in alternative uses is important in assessing the various options for closing the gap between demand and supply. The WV Study determines the value of water across the various sector in which it is used, to enable policy-makers and sector managers to make informed decisions about efficient water utilization. The results of the WV work provide valuable information to the IA as decisions and recommendations are made for any proposed restructuring as well as implications for pricing, authorities, and allocation.

In parallel with the IA, the initial WV team of local and international experts was hired and mobilized in February. Work began in earnest in February and the team was fully engaged in the following:

- a comprehensive review of the baseline data and existing valuation studies as well as a review of related activities currently underway in Jordan to ensure complementarity and sharing of information;
- development and planning for the Water Valuation Workshop;
- Water Valuation Workshop held 3 March 2011; and,
- meetings, consultations and engagement with USAID and GOJ stakeholders

The Water Valuation Workshop discussed the value of water in Jordan's social and economic life and outlined the dimensions of the ISSP WV study to assess the value of water in different uses.

Several discussions were also held with USAID regarding two water valuation activities ongoing at the time by McKinsey and AFD, respectively. This resulted in agreement with USAID to postpone finalization of the WV SOW until ISSP and USAID had reviewed the final reports for these two efforts. As such, work on the Water Valuation (WV) Study was essentially suspended during the second quarter after discussions with USAID and MWI. All agreed that it made sense to wait until

the results of the McKinsey Study, “Accelerating Water Sector Transformation in Jordan”, carried out through the Water Resources Group, as well as the AFD study were finalized and accepted by the Ministry.

USAID requested a comparative analysis of the three water valuation activities this year: ISSP Water Valuation Study; Accelerating Water Sector Transformation in Jordan,” 2030 Water Resources Group, Draft Final Report, April 2011 (referred to as the McKinsey Report); and, Water Demand Management in Mediterranean Countries: Thinking Outside the Water Box,” French Agency of Development (AFD), Water Valuation in Jordan Report, April 2011 (referred to as the AFD Report). The analysis, which is presented below, was used as the basis for updating ISSP’s WV Study SOW.

	ISSP WV Study	McKinsey Report	AFD Report
Methodology for estimating water values	Gross value added; net value added (Residual Imputation) ¹	Net value added (Residual Imputation) ²	Gross value added; net value added (Residual Imputation)
Sectors	Agriculture, industry and manufacturing, services, and municipal water	Agriculture	Agriculture, industry and manufacturing, services, and municipal water
Disaggregation in water values for agriculture	<ul style="list-style-type: none"> • Type of crop, livestock • Type of irrigation • Winter vs. summer • Governorate • North, middle, south, and Safi areas of Jordan Valley 	<ul style="list-style-type: none"> • Type of crop • Jordan Valley and Northern Highlands 	<ul style="list-style-type: none"> • Type of crop, livestock • Type of irrigation water, fall/spring planting (Jordan Valley, only)
Disaggregation in water values in industry and services	<ul style="list-style-type: none"> • 4-digit and 2-digit Standard Industry Codes (SIC)³ 	N/A	<ul style="list-style-type: none"> • 2-digit Standard Industry Codes (SIC)
Analysis of water use in the agricultural sector	<ul style="list-style-type: none"> • Improved efficiency in current uses • Intra-sector reallocation options • Inter-sector reallocation options 	<ul style="list-style-type: none"> • Scenario analysis for: <ul style="list-style-type: none"> - Business as Usual - High-value agriculture⁴ - Basic water reduction - Low-water agriculture 	<ul style="list-style-type: none"> • Illustrative analysis of the cost to desalinate water to irrigate bananas relative to value of water in banana production

¹ Residual imputation method involves calculates net value added as the difference between gross revenues and all costs of production (net revenue) divided by volume of water utilized in production. The resulting water value is expressed as JD/m³

² McKinsey’s net value added measure is intended to capture both the private benefits of water use as well as the social benefits related to labor. However, the measure is constructed in a way that labor costs are double counted: they are not treated as a cost of production, resulting in higher net revenues, then labor costs are added to net value before dividing by volume of water. This will yield higher water values for labor- intensive crops compared to less labor-intensive crops.

³ 4-digit SIC codes are more disaggregated than 2-digit SIC codes (see discussion below on data collection)

⁴ These analyses are based on hypothetical shifts in cropping patterns and development of new irrigated lands (for the high-value agriculture scenario only). It is assumed that a hectare in tree crops can be shifted to a hectare in vegetables, regardless of soil types, current farm capital and knowledge, and labor skills. It ignores the potential price implications of massive shifts in planted area. The goal of the analysis appears to be to simply illustrate that if the fixed water supply assumption in agriculture is relaxed, it is possible to increase the value of water in agriculture and provide water for other sectors (60 mcm savings for the Basic Water Reduction scenario and 110 mcm savings for the Low- Water Agriculture scenario)

In the third quarter, work resumed on ISSP's WV Study and the WV Co-Team Leader, returned to Jordan for three weeks in July to work with the Jordanian Co-Team Leader and Research Specialist.

The following work on the WV was completed during the third quarter:

- Literature review and methodology
- Data collection – Building on and expanding the database developed for the French Development Agency (AFD) Water Valuation in Jordan Report. ISSP added several additional data layers to facilitate more detailed analysis of water values as follows:
 - Data on gross revenues, costs, and water utilization for industries, manufacturing and services at the 4-digit standard industrial code (SIC) level rather than 2- digit SIC to better estimate the value added for agriculture and facilitate more detailed analysis of the benefits and costs of reallocation options.
 - Data on winter and summer crops. This is important because the seasonal net irrigation requirements vary considerably.
 - Data on agriculture disaggregated by location.
 - Farm-level data for Jordan Valley and Northern Highlands. Data from several farms for similar crops in the same location will be used to calculate average values for production, prices, revenues, and enterprise costs.

The Expat Co-Team Leader had to leave the project in August to take on a new full-time Chief of Party position for IRG which pushed the initial analysis completion date to the fourth quarter. The data collection was completed in September, and initial water values were produced for review and discussion with USAID and the Ministry.

By the end of the fourth quarter most of the analysis was completed and initial findings and results were ready for discussion and review. These findings were presented at an AFD workshop in December to Ministry and donor counterparts. The meeting presented results of the water value estimates and provided recommendations for follow-on policy analysis based on the water value estimates before carrying out this second phase of the study. MWI indicated that they want to participate in a dialogue and help formulate/guide the analysis of policy questions related to efficiency and allocation of water to highest/best uses, considering economic, social, and food/water security issues. This will be next stage of the WV Study work to be reviewed in the following quarter.

2.2.4. UTAH STATE UNIVERSITY (USU) GROUNDWATER VALUATION STUDY

Utah State University was contracted by ISSP to carry out a supporting groundwater valuation study to supplement the ongoing ISSP WV Study. The objective is to further understand the economics of groundwater management and the potential economic impacts of groundwater drawdown on water utilization in agriculture. The project focuses on research methods that can identify the economic impacts of groundwater level drawdown and forecast the future point in time when it will be un-economical for Jordanian agricultural pumpers to use groundwater.

Economic impacts include:

- Increased pumping costs from groundwater level drawdown;
- Pump and well retrofit costs from groundwater level drawdown;
- Costs to drill new wells to replace existing shallow wells;
- Increased pumping costs from estimated individual pumping well drawdown (cones of depression) for target pumping wells, based on currently estimated water levels;
- Increased pumping costs from estimated individual pumping well drawdown for target pumping wells based upon future water levels predicted via simulation model; and
- Costs to treat or cope with saline water based upon projected concentrations.

The specific tasks are to:

- Estimate economic impacts of increased pumping costs and retrofit costs and assess their relative contribution to the overall impact using readily available data; and,
- Assess the availability of geologic, water, and water quality data and recommend suitable approaches to estimate impacts.

The USU study began in July in Jordan for 2 weeks to carry out consultations, data collection, preliminary analysis, and coordination with both the ISSP WV Study and a related study underway with the U.S. Geological Survey (USGS) contracted directly by USAID. During this time, however, several issues arose over the requested data and the scope of this study. Throughout August and September, ISSP and USAID worked to resolve these issues with MWI. Several additional clarifications and revisions to the data requested were developed and submitted to MWI. Additional data was collected in November and the draft report summarizing findings was submitted in December. Once USAID reviews the findings, the study and report should be finalized in February 2012.

2.2.5. INSTITUTIONAL REFORM AND RESTRUCTURING

This activity started at the end of Year 1 and is designed to provide specific support to move ahead with the recommendations from the IA. One of the critical outcomes was the formation of Working Groups, which was based off the primary recommendations of the IA, which are as follows:

- **Sector restructuring** to:
 - Consolidate water resource planning and management in the Ministry of Water and Irrigation (MWI);
 - Create a top-level National Water Council (NWC); and
 - Focus the Water Authority of Jordan (WAJ) on bulk water supply development and distribution.
- **Water utility reform** to:
 - Complete the process of corporatizing utilities;
 - Improve governance and management
 - Create an independent Water Utility Regulatory Commission (WURC) to oversee the economic and customer service aspects of fully corporatized utilities.
- **Water User Association (WUA) strengthening** in the Jordan Valley leading to a shift in tertiary-level water management from the Jordan Valley Authority (JVA) to locally-based WUAs.

These recommendations were then combined into separate activity groups which bring together the common aspects of each of the recommendations. This led to the formation of Working Groups which were responsible for the implementation of the recommendations. The Working Groups have been categorized into the following groups:

- Working Group 1: Establish a National Water Council
- Working Group 2: Consolidate authority for water resources, planning and management functions in the Ministry
- Working Group 3: Reorganize WAJ as a Bulk water supplier; corporatize water utilities; and develop a water utility regulatory commission
- Working Group 4: Support the JVA and Water Users Association (WUA)

These Working Groups are designed to work side by side with ISSP to oversee and implement all aspects of the proposed reforms. This includes developing a detailed program for each recommendation which the working group would then monitor. Membership of the working groups includes key departments of the Ministry, key stakeholders and ISSP.

In the fourth quarter, Working Groups 3 and 4 met with their members to begin the implementation process. These meetings introduced the members to the ISSP team, reviewed and agreed on the process for meetings and the roles and responsibilities of all involved. Regular meeting will continue throughout the coming quarters to further progress in the groups. Working Group 1 is led by ISSP's

COP and in the fourth quarter met with legal counsel to determine implications in moving forward with the National Water Council. Working Group 2 is developing appropriate rules that will be put into place in the first quarter of 2012.

As ISSP began considering the immediate priorities for implementing the IA activities, it became clear that there was widespread agreement on the need for an independent water regulator as the sector is unbundled. At the same time, this activity will take the longest to implement. As such, ISSP began developing a scope of work for a regulatory specialist to kick-start this work even as the detailed implementation plan for the program is developed. This expert will first build on the IA and examine in more detail the specific options for water regulation in Jordan and make recommendations for consideration by MWI. The expert will then work side-by-side with a team from the Ministry, led by the Program Monitoring Unit (PMU), to develop a comprehensive road map for establishing this regulatory body which will become the Action Plan for ISSP support to the Ministry on this critical activity. The SOW has been finalized and the Regulatory Specialist should start in early 2012.

2.3. COMPONENT 2: INSTITUTIONAL STRENGTHENING

Component 2: Institutional Strengthening is designed to provide critical training, technical assistance, capacity building and institutional support to the GOJ as they work to carry out and implement the reforms and restructuring anticipated as a result of the IA. As such, most of the Component 2 work will occur following approval of the IA. In the meantime, however, work began in parallel to the IA process where clear institutional strengthening needs are identified that further the overall objectives of ISSP.

As restructuring and institutional reform priorities are becoming clearer, ISSP has finally been able to start implementing Component 2 activities, which are as follows:

- Senior Advisor to Miyahuna CEO
- Tariff Study
- Update to the National Water Strategy
- Regulatory Study

2.3.1. SENIOR ADVISOR TO MIYAHUNA

In February, the need was identified by the Minister of Water and Irrigation to provide full-time institutional strengthening support to Miyahuna through a Senior Advisor to the CEO for one year. The scope is to support and advise the Miyahuna CEO on strategic planning, monitoring, operational efficiency, finance, and other core management issues. The Advisor is responsible for

advising and assisting Miyahuna in their efforts to: 1) become financially, administratively, and politically independent; 2) improve commercial and technical efficiency to increase revenues and collection of water; and, 3) develop plans to be approved by the Board of Directors and to implement them.

The Terms of Reference (TOR) was developed in close consultation with USAID and then reviewed, finalized and approved by MWI. However, this activity was delayed as the Miyahuna CEO position remained vacant throughout the spring and summer. The new CEO was announced in the 3rd quarter at which time recruiting resumed and ISSP filled the position in October after a shortlist of three strong candidates was agreed with USAID and then presented to Miyahuna for consultation. S. Craig Fenton was selected as Miyahuna felt he best met their priority needs in the coming year.

2.3.2. TARIFF STUDY

In the 3rd quarter, MWI requested assistance from ISSP to undertake a tariff study to recommend possible options for a new tariff index system and future tariff levels to be applied from 2013. This study will examine and recommend the most viable and effective bases on which a new tariff structure could effectively be imposed.

The overall objective is to propose options for a realistic tariff structure, based on moving towards full cost recovery and taking into account pending new bulk water supplies from the Disi aquifer due to come on line in 2013. This includes viable indexation factors, possibly based on location/ability to pay. Recruiting took place throughout the 4th quarter, however, changes in the government and a new Minister have shifted the priority needs and this study was pushed back to occur in early 2012.

2.3.3. UPDATE THE NATIONAL WATER STRATEGY

At the end of the third quarter, MWI asked ISSP to immediately develop an update of the existing “Water for Life” national water strategy. As this request is consistent with ISSP’s overall goals for institutional reform and improved policy-setting and management within the water sector, it was agreed that ISSP would undertake this work. A scope of work was developed and approved by USAID and MWI in early October and work resumed immediately, undertaken by the IA Co-Team Leaders.

This update is being conducted in close collaboration with MWI and in consultation with USAID. A nine- member committee was established which is chaired by the Secretary General (SG) of MWI with representatives from MWI, WAJ and JVA. The update will:

- Address substantive changes to current conditions from the 2009 report;

- Incorporate new major studies that have been carried out since 2009 that have a significant bearing on national water policy;
- Eliminate repetitions or overlaps in the current strategy; and
- Reflect new government restructuring commitments for the water sector and their impact on the national water strategy.

An initial framework for the strategy update was developed for MWI in time to be presented by the official GOJ delegation at the World Economic Forum (WEF) meeting from October 21-23, chaired by Prince Feisel. A complete draft of the strategy update document was finalized in November. A final discussion draft of the National Water Strategy Update was then submitted in December to MWI, WAJ and JVA for the purposes of review and discussion.

Once the update is finalized, a new Investment Plan document and an Action Plan will be developed in early 2012 and finalized by the summer. Additional technical assistance will be provided where needed to address new areas for the strategy and to undertake the highly technical tasks required to develop a model for the Investment Plan.

2.4. CROSS-CUTTING THEMATIC SUPPORT

Cross-cutting thematic support under ISSP deals with ways approaches and mechanisms that support and facilitate the overall ISSP objectives and are not specific to a component. Primarily this support will involve leveraging outside mechanisms or other donor program efforts in pursuit of shared objectives for institutional reform and restructuring. This includes exploring or possibly even developing Public-Private Partnerships (PPPs), Global Development Alliances (GDAs), and/or direct linkages with other donor activities. Much of this work will take place once the IA is in place and the specific reform package is agreed.

2.4.1. PUBLIC-PRIVATE PARTNERSHIPS (PPPs)

There was no activity during the fourth quarter or throughout this annual report period. PPPs are still being considered for upcoming phases, and will be evaluated during IA implementation.

2.4.2. GLOBAL DEVELOPMENT ALLIANCES (GDAs) POTENTIAL

There was no activity during the fourth quarter or throughout this annual report period. GDAs are still being considered for upcoming phases, and will be evaluated during IA implementation.

2.5. GENDER

ISSP is being implemented with a gender-equitable approach and the IA process is looking specifically at and gender equity issues related to the water utilities and government institutions.

2.6. CHALLENGES

ISSP was very pleased at the broad acceptance for the overall IA recommendations at the Working Session overcoming a major challenge for the program. However, an immediate challenge is to formalize the policy and program agreements to proceed with implementation of the ISSP IA reform and restructuring package, as well as developing a new water law. USAID and ISSP agreed to develop a Memorandum of Understanding (MOU) to be signed between IRG and the Ministry. The MOU has been submitted for review to the USAID Regional Legal Advisor (RLA) and is estimated to be fully executed in February 2012.

There were a number of changes in the Jordanian government in the third and fourth quarter including constitutional reform efforts and a nearly complete change to the Cabinet. This including a change in the Minister Water and Irrigation. The former Minister left his post in mid-October and a new Minister was appointed in early November. Thus far the new Minister has been very supportive of ISSPs work, and there have not been significant changes that delayed ISSP work progress, however, it has resulted in some significantly different internal politics and dynamics among our counterpart water institutions that are creating some strife at the Working Groups and will continue to present challenges as we move fully into the implementation of the reform and restructuring activities.

2.7. POTENTIAL ISSUES OR PROPOSED CHANGES

This section presents and discusses any significant issues arising in the technical implementation of the program and any potential or suggested changes to existing or planned activities, scopes of work, or the work plan.

2.7.1. TECHNICAL IMPLEMENTATION ISSUES

There are no significant technical implementation issues at this time. Throughout the first two months of implementation, concerns grew over the suitability of the original COP, however, this is addressed below in Section 4.

2.7.2. POTENTIAL CHANGES

There were no potential changes to ISSP activities, scope or work plan identified or agreed in this quarter.

3. ACTIVITIES PLANNED FOR NEXT QUARTER

This section details activities that will be carried out during the next quarter, from January to March 2012. A more detailed plan of the activities in 2012 will be presented in the ISSP Year 2 Workplan, which will be submitted in January.

3.1. COMPONENT 1: INSTITUTIONAL DEVELOPMENT

Component 1: Institutional Development activities are winding down and will be completed by the end of the second quarter of Year 2. The focus of the program will now turn to implementation of the IA recommendations. ISSP will reorganize to create a new component: Institutional Reform and Restructuring which will include all of the IA recommendation implementation activities. For Component 1, the focus will be on closing out the two main activities, as outlined below.

3.1.1. INSTITUTIONAL ASSESSMENT (IA)

ISSP expects to receive approval from USAID and clearance from MWI for the ISSP Institutional Assessment Final Report and Annexes Volume which were submitted in October and November 2011, respectively. As soon as approval is received ISSP will print and distribute the final copies of the report to all stakeholders and this activity will be closed out.

3.1.2. WATER VALUATION (WV) STUDY

In the coming quarter, ISSP will finalize the results, generate a draft report, and discuss next steps for the study. There has already been a great deal of interest in the WV Study from the presentation at the AFD workshop in December and so ISSP will also organize a series of briefings and a workshop to present the results and main conclusions from this comprehensive analysis.

3.1.3. INSTITUTIONAL REFORM AND RESTRUCTURING (IRR)

The four Working Groups began the implementation phase of the IA report during the fourth quarter of 2011. The first quarter of 2012 will mark the start of full-scale implementation. The six recommendations are being grouped into four main implementation activities. This is because the three interrelated recommendations around the issues of bulk water, regulation and corporatization of utilities must be implemented as a cohesive whole and are being renamed as Water Delivery Management.

At the start of the coming quarter, ISSP will finalize the Year 2 Work Plan which will include the detailed implementation plan for each of these IRR activities, along with the complementary work on legal support and analysis to execute the requisite institutional changes. The relevant portions of the Work Plan will be presented to each Working Group. Specific implementation activities are also already planned for the coming quarter. Rules and procedures will be drafted for the new National Water Policies Advisory Council to be presented for review, discussion and revision at Working Group 1. The analysis of the specific functions and responsibilities for immediate transfer from WAJ to MWI to start the process to strengthen and consolidate water resources management in MWI will be developed and agreed with Working Group 2.

For Water Delivery Management activities, the detailed regulatory assessment and recommendation for the path towards independent regulation will be completed and presented at a workshop to key stakeholders no later than March. ISSP will also be carrying out extensive consultations with Working Group 3 members and other key stakeholders to develop a new definition of bulk water for Jordan as well as explicit options for government ownership structures of the corporatized utilities. Legal analysis will continue and the Legal Advisor will return to attend the regulatory workshop and move forward with the restructuring plan.

3.2. COMPONENT 2: INSTITUTIONAL STRENGTHENING

Component 2 activities will focus on moving the business planning process forward with Miyahuna and completing the update to the National Water Strategy Update so that work can begin on the corresponding Investment Plan and Action Plan. An overview of the specific Component 2 activities planned for the coming are presented below.

3.2.1. ADVISOR TO CEO OF MIYAHUNA

The ISSP Senior Utility Advisor is now full-time at the Miyahuna offices and will continue to implement institutional strengthening and business planning. The priority for this work in the coming quarter will to develop a new business plan and to begin to effectively institutionalize a good business planning process within Miyahuna's corporate management activities and culture. A Business Planning Workshop will be organized to lay out the new business planning process and identify planning priorities and objectives as well as to agree on the process to complete the business plan.

3.2.2. TARIFF STUDY

Recruitment will be completed for the tariff study while ISSP will confirm that the current SOW for the study still meets the evolving needs and priorities for the current Minister. Then the study will get underway toward the end of the quarter. The first four weeks of the study will develop

the initial review and recommendation on the viable bases for a tariff index for Jordan that warrant further study. Upon MWI concurrence, the detailed analysis will follow.

3.2.3. UPDATE TO NATIONAL WATER STRATEGY

The updated National Water Strategy will be completed in the coming quarter. ISSP will meet with leadership from WAJ, JVA and MWI respectively to finalize the existing document and incorporate any further comments and feedback. In parallel, the terms of reference (TOR) for developing the Investment Plan financial model will be completed for work to begin during the quarter on this next stage of the strategy update process.

3.3. CROSS-CUTTING THEMATIC SUPPORT

No cross-cutting thematic support is anticipated in the upcoming quarter.

4. PROGRAM MANAGEMENT

4.1. PROGRAM MANAGEMENT

The ISSP contract was awarded on November 24, 2010. IRG mobilized its management team to Jordan in December 2010 for initial meetings and briefings with USAID and key Jordanian partners. In January the new IRG ISSP office was established close to the Ministry of Water and Irrigation and our key local subcontractor and the mobilization team returned to Jordan with the original Chief of Party (Axel Kahl). The official kick off meeting was held with USAID and the project team. During this time the technical team and administrative team were also being staffed.

The only significant program management issue took place in the first quarter. After the first two months of program implementation, IRG became increasingly concerned about the suitability of the original COP for the significant management and consultative demands of the program, despite his strong technical expertise in the sector. After extensive consultations with the COP, as well as members of the ISSP team, USAID and other key stakeholders, the difficult decision was made to remove the COP from the program. IRG Senior Manager, Barbara Rossmiller, was already in Jordan providing management and program support and was designated and approved as Acting COP until a long-term appropriate candidate could be identified and mobilized.

After IRG's exhaustive search for a long-term Chief of Party candidate and consultations with USAID, it was agreed that this position called for the technical and management skills that the Acting COP was already ably demonstrating on the project. She had achieved very strong results since taking over the project and received very positive feedback on her performance from USAID, GOJ counterparts, and the ISSP staff and consultants. As such she was approved by USAID in May to become the long-term ISSP COP. She was mobilized on July 31, 2011.

In addition, the ISSP long-term team was slowly staffed up throughout the first three quarters, which is addressed below in Section 5. IRG also changed its home office Project Manager in the second quarter when the PM took a long-term COP position in Egypt. IRG had to again change its home office Project Manager in August when that PM also took a long-term COP position. A new Project Manager role was approved by USAID in the third quarter.

In terms of overall program management, ISSP has established highly effective working relationships with GOJ counterparts which have been, and will remain, key to successful implementation. In

addition, as a result of the highly political nature of ISSP as it works to facilitate significant policy and institutional reforms, ISSP works closely with USAID on all areas of implementation. The COP and COTR hold weekly meetings on program activities and any outstanding issues. ISSP has benefited from the ongoing support and engagement from the USAID/WRE from high-level interventions with relevant Ministers and Secretary Generals to more informal support and advocacy among key technical counterparts.

4.2. COMMUNICATIONS AND OUTREACH

A summary page for both the Institutional Assessment and the Water Valuation Study were prepared and submitted to USAID for review and approval in the third quarter. In addition, ISSP prepared a “Cornerstones” document for USAID which laid out the guiding principles for the Institutional Assessment which USAID could use as a point of reference and discussion with the MWI and other interested stakeholders. A “Project Profile” was created for USAID and this document was updated in October upon completion of the IA. Over the coming year, as ISSP is implementing the reforms and restructuring, greater attention will be placed on outreach and communication of program accomplishments.

ISSP created a website at the start of the program. As much of the implementation approach was still to be determined at the time (pending the IA), the website was developed primarily as a reference tool for the key water sector issues of Jordan. This website will be updated in early 2012 to become an effective project resource for outreach as well as information for counterparts and stakeholders.

4.3. DONOR COORDINATION

Donor coordination is a key element of the ISSP. These efforts included briefings with other donors most active in the Jordanian water sector, as detailed in Section 2. In addition, ISSP COP presented the program to the USAID Partners Meeting in October. Consultations and coordination will continue as appropriate to ensure that ISSP takes advantage of lessons learned and existing documents and analysis, does not duplicate efforts currently underway, and also leverages ISSP work with other donor efforts.

4.4. DELIVERABLES

Below is a list of deliverable produced and submitted over the course of Year 1. The list indicates the month in which the deliverable was submitted along with if the document was approved by USAID (if required).

Deliverable	Quarter Submitted	Approved
ISSP Draft Work Plan – Year 1	Quarter 1	Quarter 2

ISSP Performance Monitoring Plan (PMP)	Quarter 1	Quarter 2
Institutional Assessment Cornerstones	Quarter 2	Quarter 2
Institutional Assessment and Water Valuation Study Workshops Report	Quarter 1	Quarter 2
ISSP Quarterly Progress Report 1 (Nov 2010 – Mar 2011)	Quarter 2	Quarter 2
ISSP Quarterly Financial Report 1 (Nov 2010 – Mar 2011)	Quarter 2	Quarter 2
Discussion Draft: Institutional Assessment Result Report	Quarter 2	N/A
Institutional Assessment Consultative Workshop Report	Quarter 2	Quarter 2
ISSP Quarterly Progress Report 2 (April – June 2011)	Quarter 3	Quarter 3
ISSP Quarterly Financial Report 2 (April – June 2011)	Quarter 3	Quarter 3
IA Consultative Workshop Report	Quarter 3	Quarter 3
IA Results Workshop Report	Quarter 3	Quarter 3
ISSP Quarterly Progress Report 3 (Jul – Sep 2011)	Quarter 4	Quarter 4
ISSP Quarterly Financial Report 3 (Jul – Sep 2011)	Quarter 4	Quarter 4
Institutional Assessment Results Report and Annexes Volume	Quarter 4	pending
ISSP Year 2 Performance Monitoring Plan	Quarter 4	Quarter 4

4.5. MONITORING & EVALUATION

The Performance Monitoring Plan was approved in April. Upon completion and approval of the IA, the PMP was updated in November 2011 to reflect the IA implementation activities that will be undertaken during Year 2.

4.6. SECURITY

This section of the report was added as a result of the marked increase in protest and unrest that Jordan experienced at the end of March. Much of this increase was sparked by the regional unrest of the “Arab Spring”, which was used as a rallying cry for disaffected groups around Jordan. These peaked at the end of March when one protester died during the protest, although reports vary as to whether it was from natural causes or as a result of the violence. This resulted in an unofficial U.S. Embassy ban on all U.S. contractors staying at the hotels in the area of the Interior Ministry circle, which included the Amman Marriott, ISSP’s usual hotel. ISSP moved all of its short-term personnel into the Grand Hyatt until this ban was lifted in early April.

During the second quarter protests and regular demonstrations continued although very few resulted in any kind of violence. Most protests were in Amman and held after prayers on Friday. Zarqa also experienced regular and more intense protest activity than the Amman protests. However, any violence remained localized within the protest and there were no incidents of targeted actions against Westerners or Americans specifically.

The number and frequency of protest activity in Jordan declined sharply in the third and fourth quarter. Regardless, ISSP remains highly vigilant and the COP actively monitors security-related incidences and notices. Whenever notices of protests are received all staff are notified to avoid the area, and if necessary, more specialized instructions are given. So far, no action has been needed except to avoid the areas where protests or gatherings are being held. ISSP continues to maintain a security log which records all notices as well as any incidences that occurred.

5. STAFFING

5.1. LONG-TERM STAFF

Currently the ISSP program will be fully staffed with long-term and local employees when the replacement Utility Advisor position joins the team in early January 2012. This position was changed into a Water Supply and Utility Specialist to reflect the changing needs of the program. After the Year 2 Work Plan is developed, ISSP will reassess the local staffing and determine what, if any, additional positions may be required to successfully implement the remainder of the program. In the coming quarter and year, there will also be a number of short-term technical assistance (STTA) positions required to fulfill expert and advisory roles.

The ISSP team is comprised of a combination of personnel from IRG and each of the ISSP subcontractors.

5.2. SHORT-TERM STAFF

ISSP used targeted short-term technical assistance (STTA) throughout the first year to undertake the IA and WV, and then subsequently to provide targeted and specific expertise needed throughout the institutional development stages of the program.

U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

www.usaid.gov